

**PUBLIC DISCLOSURE**

**DECEMBER 13, 2010**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BRIDGEWATER SAVINGS BANK**

**CERT # 90169**

**756 ORCHARD STREET**

**RAYNHAM, MA 02767**

**Division of Banks**

**1000 Washington Street**

**Boston, MA 02118**

**Federal Deposit Insurance Corporation**

**350 Fifth Street, Suite 1200**

**New York, NY 10118**

<b>NOTE:</b>	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Bridgewater Savings Bank (or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies as of **December 12, 2010**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Intermediate Small Bank CRA procedures were utilized for the evaluation. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

#### ***Lending Test:* the Lending Test is rated "Satisfactory"**

- Bridgewater Savings Bank's average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the Bank's loans and other lending-related activities are in its assessment area.
- The geographic distribution of the Bank's residential and small business loans reflect an adequate dispersion throughout the assessment area, specifically within its moderate-income Census tracts.
- The Bank has achieved a good penetration of loans among borrowers of different income levels (including low- and moderate-income) and a reasonable penetration of loans to businesses of different revenue sizes based on the demographics of the assessment area and a comparison to aggregate data.
- The Bank has not received any CRA-related complaints.

#### ***Community Development Test:* The Community Development Test is rated "Satisfactory"**

- The Bank's community development performance demonstrates reasonable responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and need and availability of such opportunities for community development in the institution's assessment area.

## SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC. Intermediate Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures utilize two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank's lending and community development activities for the period of December 31, 2007 through September 30, 2010. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

Through a review of the Bank's loan portfolio composition and discussions with management, it was noted that the Bank's primary lending focus is residential lending. As such, the Bank's home mortgage lending activity is weighted more heavily when arriving at rating conclusions within the applicable Lending Test criteria. However, the Bank is also an active commercial lender. Consumer lending was excluded from this analysis since it accounts for only a small portion of the Bank's total lending activity and the Bank does not collect information regarding such activity. Additionally, small farm loans represent a small percentage of the Bank's total loan portfolio and as such, are not analyzed in this evaluation.

The Lending Test focused on home mortgage and small business lending. Home mortgage and small business data analyzed included full-year data from January 1, 2008 through December 31, 2009. Information concerning the home mortgage lending was derived from the Loan Application Registers ("LARs") maintained by the Bank, pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties.

This evaluation also considered small business loans. Information concerning small business lending was derived from CRA small business loan registers maintained by the Bank.<sup>1</sup> The registers contain information on commercial real estate and commercial and industrial loans originated with original balances of \$1 million or less.

Home mortgage lending for 2009 is presented in the Geographic Distribution and Lending to Borrower's of Different Incomes and Businesses of Different Sizes tables. The Bank's lending performance in 2009 is focused on as this is the most recent year for which aggregate HMDA lending data is available (aggregate lending data). The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes lending information from all HMDA reporting lenders that originated loans in the Bank's assessment area. Home mortgage lending data for 2008 is referenced in the narrative to illustrate trends in the Bank's lending data.

Small business lending data for 2009 is presented in the Geographic Distribution and Lending to Borrower's of Different Incomes and Businesses of Different Sizes tables. The Bank's 2009 small business lending performance is focused on as this is the most recent full-year lending data available. As an Intermediate Small Bank, small business loans are not required to be reported by the Bank. Comparing the Bank's small business lending activity to small business aggregate data would not be appropriate, as the aggregate lenders' are much larger institutions required to report small business data. Instead, the Bank's small business lending performance is compared to pertinent demographic information. Small business lending data for 2008 and YTD 2010 is referenced in the narrative to illustrate trends in the Bank's lending data.

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<sup>1</sup> While the bank is not subject to formal CRA data reporting, given its asset size, the bank still collects the data.

The Community Development Test included community development loans and services for the period December 31, 2007 through December 13, 2010. Community development grants and donations for 2008, 2009 and year-to-date (YTD) 2010 were also included. Qualified equity investments and deposits currently held by the Bank were also included regardless of investment date. The investments were valued as of the September 30, 2010 book value.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the September 30, 2010 Report of Condition and Income (Call Reports).

## PERFORMANCE CONTEXT

### Description of Institution

Bridgewater Savings Bank is a Massachusetts-chartered mutual savings bank headquartered in Raynham, Massachusetts. Bridgewater Savings Bank is wholly-owned subsidiary of Bridgewater Financial, MHC, a mutual holding company formed in 2003. The Bank also has two subsidiaries: BRISABA Securities Corporation II, and BRISABA Securities Corporation III. The Bank has three additional affiliates, all of which are wholly-owned subsidiaries of Bridgewater Financial, MHC: Stonebridge Investments, LLC, Stonebridge Insurance, LLC, and Bridgewater Savings Statutory Trust I.

BRISABA Securities Corporation II and BRISABA Securities Corporation III were formed in December 2002. The companies are engaged in buying, holding, and selling securities. Stonebridge Investments, LLC was formed in November 2000 to provide financial investments services. Stonebridge Insurance, LLC was formed in November 2000 to conduct insurance activities. Bridgewater Savings Statutory Trust I was created to facilitate the holding company's participation in a pooled trust preferred security transaction in June 2003.

Since the previous exam, the Stonebridge Mortgage Company, a subsidiary of the Bank, was dissolved in December 2007. Additionally, Bridgewater Savings Bank acquired East Bridgewater Savings in January 2010.

In addition to the main office located in Raynham, the Bank operates nine full-service branch offices: Bridgewater (2), East Bridgewater, West Bridgewater, Carver, Hanson, Lakeville, Pembroke, and Taunton. The Bank also has three stand-alone ATMs located in Middleboro, West Bridgewater, and Bridgewater State College.

Bridgewater Savings Bank is a full-service financial institution that offers a wide variety of products and services to both retail and commercial customers. The Bank offers an assortment of secured and unsecured consumer loans including home improvement, home equity loans and lines of credit, personal loans, and automobile loans as well as working capital lines of credit, equipment loans, and real estate loans for commercial customers. Bridgewater Savings Bank also provides customers with access to a variety of deposit products.

As of September 30, 2010, the Bank has total assets of \$485.6 million consisting primarily of loans and securities. Total assets have increased by 31.3 percent since the last FDIC CRA evaluation from \$369.7 million to the current level. Asset growth is attributed by the \$96.9 million increase in deposits over the period examined. The Bridgewater Savings Bank merger with East Bridgewater Savings Bank on January 1, 2010 was the driving force behind the increase in deposits over this time period.

As the table below shows, the Bank is primarily a real estate lender. The greatest share of the real estate loan portfolio is secured by one-to four-family residences. These loans include closed-end mortgage loans (including junior liens) as well as revolving home equity lines of credit. Commercial real estate comprises the next largest share of the loan portfolio. Commercial real estate loans are typically collateralized by the properties used for the borrowers' businesses, such as small office buildings and retail facilities. Commercial and Industrial loans also comprise a sizable portion of the loan portfolio.

Net loans total \$270 million as of September 30, 2010 and account for 55.6 percent of total assets. Refer to the following table for information regarding the composition of the loan portfolio.

Loan Distribution as of September 30, 2010		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction and Land Development	10,184	3.8
Revolving, open-end 1-4 Family Residential	19,523	7.2
1-4 Family Residential (first and second lien)	76,550	28.3
Multi-Family (5 or more) Residential	11,089	4.1
Commercial	90,522	33.5
<b>Total Real Estate Loans</b>	<b>207,868</b>	<b>77.0</b>
Commercial and Industrial	42,224	15.6
Consumer	19,951	7.4
<b>Total Loans</b>	<b>270,043</b>	<b>100.0</b>

Source: September 30, 2010 Call Report Data

### CRA Committee

The Bank's CRA committee is comprised of the Executive Vice President and Chief Financial Officer, the Executive Vice President and Senior Loan and Retail Banking Officer, the Senior Vice President and Consumer/Residential Lending Officer, the Senior Vice President and Senior Commercial Loan Officer, the Senior Vice President and Branch Administration/Marketing Officer, the Vice President of Audit and Compliance, one of the Vice President and Commercial Loan Officers, and all Residential and Consumer Loan Officers. The committee is responsible for review of the Bank's community reinvestment activity and performance, CRA examinations and audits, and the Bank's second review committee activity, and other anti-discrimination regulations. The full committee meets semi-annually.

The FDIC last evaluated the Bank for compliance with the CRA on November 8, 2007. The examination resulted in a CRA rating of "Satisfactory." The Division evaluated the institution on November 3, 2004, and also assigned a CRA rating of "Satisfactory."

Based upon the Bank's financial condition, size, product offerings, and branch network, there are no apparent financial or legal impediments that would limit the Bank's ability to help meet credit needs within the assessment area.

### DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Division and the FDIC evaluate an institution's CRA Performance based upon the defined assessment area. Bridgewater Savings Bank has defined the municipalities of Bridgewater, Carver, East Bridgewater, Easton, Halifax, Hanson, Lakeville, Middleboro, Pembroke, Raynham, Taunton and West Bridgewater. Easton, Raynham, and Taunton are located in Bristol County, within the Providence-New Bedford-Fall River, RI-MA MSA. All other towns are located in Plymouth County, which is part of the Boston-Quincy MA-MD. The assessment area as currently defined meets the technical requirements of the CRA regulation since it (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state borders, (5) does not reflect illegal discrimination, (6) does not arbitrarily exclude low and moderate income areas.

The assessment area has changed since the previous exam, reducing the size of the assessment area by 24 Census tracts following the dissolution of the mortgage company in December 2007, while gaining 6 Census tracts following the January 2010 bank merger. Currently, the assessment area is comprised of 36 Census tracts, of which 2, or 5.6 percent, are moderate-income; 24, or 66.7 percent are middle-income; and 9 or 25.0 percent, are upper-income. There is one Census tract that has not been assigned an income classification (referred to as in the “NA” category) as it is the location of the Bridgewater Massachusetts Correctional Institute and has few residents and no owner occupied housing.

Based on 2000 U.S. Census data, the total population of the assessment area is 209,654 individuals. Of the total population within the assessment area, 4.6 percent of the population resides in moderate-income tracts, 64.5 percent reside in middle-income census tracts, and 29.8 percent reside in upper-income tracts, and 1.1 percent of the population resides in the NA Census tract. Households total 73,953, of which 21.2 percent are low-income; 15.4 percent moderate-income; 21.4 percent middle-income; and 42.0 percent upper income.

Providing further insight into the demographic composition of the assessment area population is the number of families at each income level. According to the 2000 Census data, of the 54,369 families in the assessment area, 14.8 percent are low-income, 16.3 percent are moderate income, 25.8 percent are middle income, and 43.1 percent are upper income. Additionally, 4.0 percent of the assessment area families are below the poverty level. The HUD adjusted Median Family Income (“MFI”) for the assessment area was \$79,150 in 2009. The Department of Housing and Urban Development publishes annual estimates of median family income that are adjusted for inflation and other economic events.

Housing units within the assessment area total 76,291, of which 56,528 or 74.1 percent are owner-occupied, and 17,351 or 22.7 percent are rental units. Of the owner-occupied units within the assessment area, 2.18 percent are in moderate-income census tracts, 66.03 percent are in middle-income tracts, and 31.8 percent are in upper-income tracts. A total of 3.2 percent are vacant units.

The following table provides demographic and economic information pertaining to the Bank’s assessment area.

Table 2 – Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	36		5.6	66.7	25.0
Population by Geography	209,654		4.6	64.5	29.8
Owner-Occupied Housing by Geography	56,528		2.2	66.0	31.8
Business by Geography	16,495		5.3	57.0	37.7
Family Distribution by Income Level	54,369	14.8	16.3	25.8	43.1
Distribution of Low and Moderate Income Families throughout AA Geographies	16,901		7.4	71.5	21.1
Median Family Income		\$60,661	Median Housing Value		\$167,262
HUD Adjusted Median Family Income for 2009		\$79,150	Unemployment Rate		2.1
Households Below Poverty Level		7.0	(2000 Census)		

Source: 2000 US Census, 2009 HUD updated MFI.

The table above displays the median housing value in the assessment area according to the 2000 Census data. More recent data obtained from the *Warren Group*, Publisher of Banker and Tradesman indicated that the 2008, 2009, and year-to-date median housing values in the assessment area ranged from a low of \$171,000 to a high of \$426,500. Prices generally fell from 2008 to 2010, with an average median sales price of 277,138 in 2008 to 250,905 in 2010.



According to the United States Department of Labor, the projected October 2010 unemployment rate for the State of Massachusetts was 8.1 percent. The unemployment rate in the Bristol County was 9.9 percent, and 8.0 percent in Plymouth County, projected as of October 2010. Please refer to the table below for the individual municipality unemployment rates.

Numerous businesses operate throughout the assessment area, with the highest concentration being in the middle-income Census tracts. According to 2009 Business Geodemographic Data, the area has 16,495 businesses in operation, 76.8 percent of which are known to have gross annual revenues under \$1 million. The highest proportion of these business establishments are engaged in the service industry. In terms of employees, approximately 70.6 percent of the area's businesses employ four or fewer people.

Bridgewater Savings Bank operates in a competitive market area in terms of financial services. The Bank competes for loans with many commercial banks, savings banks, credit unions, and mortgage brokers that operate in the area. In 2009, 296 lenders reported a total of 12,990 residential mortgage loans within the Bank's assessment area. Among the more prominent financial institutions competing with Bridgewater Savings Bank are Bank of America, CitiBank, JP Morgan Chase, and Sovereign Bank. The Bank considers Bristol County Savings Bank and First Citizen's Credit Union its primary competition. The Bank also faces strong competition for small business loans. In 2005, 94 lenders reported a total of 38,044 small business loans within Barnstable, Bristol, and Plymouth Counties. Excluding credit card banks, the Bank competes for small business loans with institutions such as Citizens Bank of Massachusetts; Wells Fargo Bank, NA; Rockland Trust Company; TD BankNorth NA; and Bank of America, NA.

A community contact was conducted in conjunction with this CRA evaluation. The contact was conducted with a community action agency focused on economic development. The contact was generally satisfied with the financial institutions' involvement with the community, but did suggest more support for SBA lending and guarantee loan programs was necessary, as banks generally look to these avenues as a "program of last resort." The contact noted that understandably, loan originators are incentive-driven based on loan size, and banks should make exceptions or incentives for loan originators who use this program. Industrialized areas, specifically New Bedford, were mentioned as areas particularly in need of job creation. The contact also noted the need for more support for business literacy programs designed specifically to meet the needs of new small business owners.

## **PERFORMANCE CRITERIA**

The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit ("LTD") ratio, assessment area concentration, borrower's profile, geographic distribution of loans, and the response to CRA complaints. The Community Development Test considers qualified community development loans, investments and donations, and services.

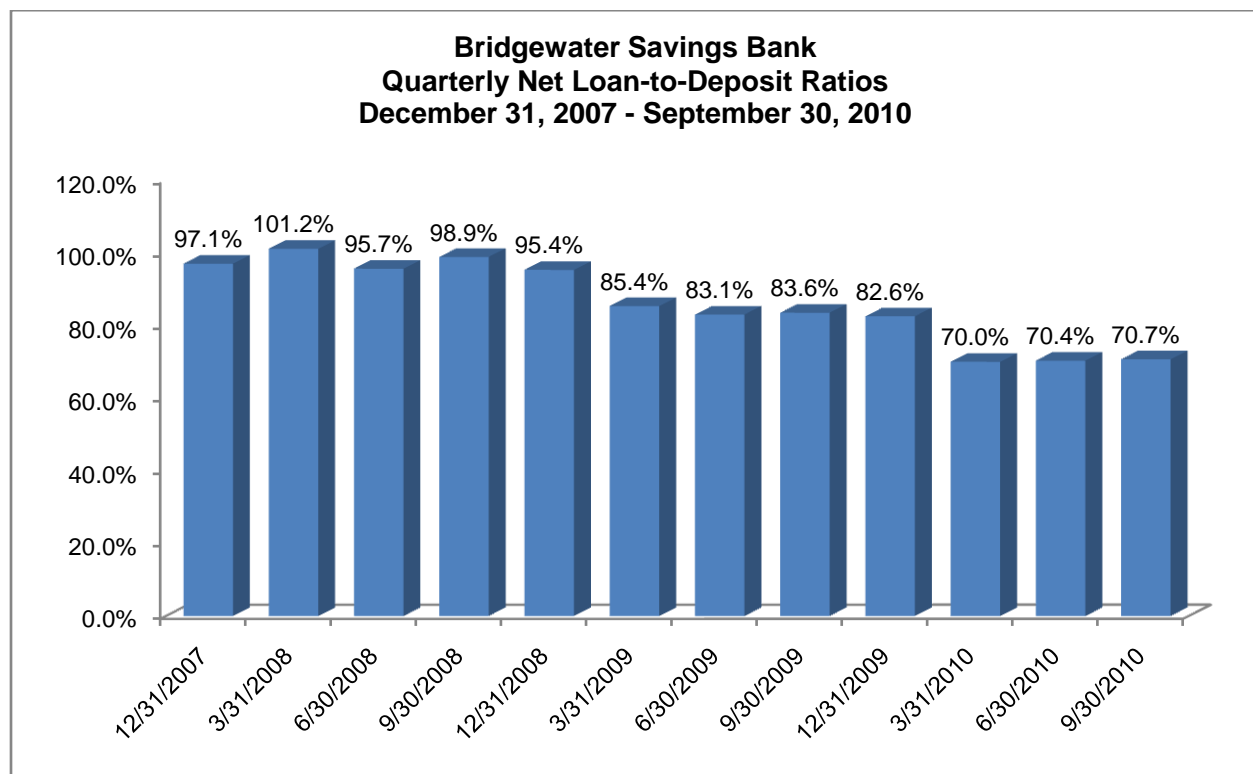
### **LENDING TEST**

#### **1. LOAN TO DEPOSIT ANALYSIS**

This performance criterion determines the percentage of the Bank's deposit base reinvested in the form of loans and evaluates its appropriateness. The Bank's LTD ratio is reasonable given the institution's size, financial condition, and credit needs within the assessment area.

The average LTD ratio of 86.2 percent was calculated using FFIEC Call Report data for the 12 quarters since the previous FDIC CRA evaluation. As shown in the graph below, the ratio generally fell over the quarters examined, from a high of 97.1 percent in December 2007 to 70.7 percent in September 2010. Net loans increased 1.3 percent and deposits increased 46.3 percent during this time period. The relatively low growth of the loan portfolio over the period can be attributed to the Bank's sold loans, which account for 90 percent of all originations.

The Bank experienced two large declines in its LTD ratio over the time examined. The first was a 10 percent decrease from December 2008 to March 2009. This can be explained by the credit crisis which resulted in very low loan demand as well as the Bank's initiative to sell off its USDA loans to raise liquidity. The 11.9 percent decrease in the Bank's LTD from December 2009 to March 2010 can be attributed to the merger with East Bridgewater Savings Bank, an increase in deposits of nearly \$100 million during that quarter.



For comparison purposes, the Bank's average LTD ratio was compared against the average LTD ratios of four similarly situated institutions (similar asset size and loan portfolio composition).

<b>Table 3 - Peer Group Loan-to-Deposit Comparison</b>		
Bank Name	Total Assets ('000s) as of 9/30/10	Average Net LTD Ratio 12/31/07 - 9/30/10
BankFive	711,610	87.9
South Coastal Bank	260,500	102.4
The Community Bank	342,373	101.4
Mechanics' Co-operative Bank	393,973	70.3
<b>Bridgewater Savings Bank</b>	<b>485,604</b>	<b>86.2</b>

Source: September 30, 2010 Call Reports

As displayed in the table above, the Bank's average LTD ratio of 86.2 percent was comparable to that of four similarly situated institutions, particularly when the high rate of loan sales are taken into account. Given the Bank's size, financial condition, and the characteristics of similar institutions, the LTD ratio appears reasonable.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending. Based upon a review of the home mortgage and small business loan data, a majority of the Bank's lending activity occurs in the assessment area. Refer to Table 4 for specific information concerning the distribution of loans inside and outside the assessment area.

<b>Table 4 – Distribution of Loans Inside and Outside of Assessment Area</b>										
Loan Category or Type	Number of Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>2008</b>										
Home Purchase	32	46.4	37	53.6	69	6,327	40.0	9,490	60.0	15,817
Refinance	103	84.4	19	15.6	122	14,927	69.8	6,468	30.2	21,395
Home Improvement	24	72.7	9	27.3	33	2,400	64.3	1,331	35.7	3,731
<b>Total</b>	<b>159</b>	<b>71.0</b>	<b>65</b>	<b>29.0</b>	<b>224</b>	<b>23,654</b>	<b>57.8</b>	<b>17,289</b>	<b>42.2</b>	<b>40,943</b>
<b>2009</b>										
Home Purchase	47	52.8	42	47.2	89	9,230	50.5	9,050	49.5	18,280
Refinance	197	68.6	90	31.4	287	38,059	65.3	20,180	34.7	58,239
Home Improvement	24	72.7	9	27.3	33	3,667	74.4	1,263	25.6	4,930
<b>Total</b>	<b>268</b>	<b>65.5</b>	<b>141</b>	<b>34.5</b>	<b>409</b>	<b>50,956</b>	<b>62.6</b>	<b>30,493</b>	<b>37.4</b>	<b>81,449</b>
<b>2010</b>										
Home Purchase	56	65.1	30	34.9	86	10,381	61.8	6,415	38.2	16,796
Refinance	122	64.9	66	35.1	188	22,073	62.6	13,181	37.4	35,254
Home Improvement	26	70.3	11	29.7	37	4,577	65.7	2,389	34.3	6,966
<b>Total</b>	<b>204</b>	<b>65.6</b>	<b>107</b>	<b>34.4</b>	<b>311</b>	<b>37,031</b>	<b>62.7</b>	<b>21,985</b>	<b>37.3</b>	<b>59,016</b>
<b>Total Home Loans</b>	<b>631</b>	<b>66.8</b>	<b>313</b>	<b>33.2</b>	<b>944</b>	<b>111,641</b>	<b>61.5</b>	<b>69,767</b>	<b>38.5</b>	<b>181,408</b>
Small Business 2008	34	47.2	32	62.7	66	7,052	49.8	9,477	74.1	16,529
Small Business 2009	21	29.2	14	27.5	35	3,949	27.9	2,189	17.1	6,138
Small Business 2010	17	77.3	5	22.7	22	3,160	73.9	1,115	26.1	4,275
<b>Total Small Business Loans</b>	<b>72</b>	<b>58.5</b>	<b>51</b>	<b>41.5</b>	<b>123</b>	<b>14,161</b>	<b>52.6</b>	<b>12,781</b>	<b>47.4</b>	<b>26,942</b>
<b>Grand Total</b>	<b>703</b>	<b>65.9</b>	<b>364</b>	<b>34.1</b>	<b>1,067</b>	<b>125,802</b>	<b>60.4</b>	<b>82,548</b>	<b>39.6</b>	<b>208,350</b>

Source: 2008 and 2009 HMDA LARs and 2008, 2009, and YTD 2010 Internal Bank Reports for Small Business Loans

### *Home Loans*

Table 4 shows that the Bank originated 631 home loans totaling \$111.6 million in the assessment area during the evaluation period. This represents 66.8 percent of the total number of home loans originated by the Bank and 61.5 percent by dollar volume. In 2009, the percentage of home loans in the assessment area by number decreased compared to 2008 and the trend for 2010 mirrors the performance for 2009. However, the overall number and dollar volume of loans inside the assessment area increased in 2009 and 2010 will also be higher than 2008.

### *Small Business Loans*

Table 4 shows that the Bank originated 72 small business loans totaling slightly more than \$14.2 million in the assessment area during the evaluation period. This represents 58.5 percent of the total number of small business loans originated by the Bank and 52.6 percent by dollar volume. While these percentages are lower than the Bank's home loan percentages, it is still a majority of the lending

## **3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES**

The distributions of loans by borrower income and businesses' gross annual revenues were reviewed to determine the extent to which the Bank is addressing the credit needs of the area's low- and moderate-income residents and small businesses.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The borrowers' reported incomes for 2008, 2009, and 2010 were compared to the median family incomes for the assessment area. The income figures are based on estimated HUD information. The Bank's distribution of loans by revenue were evaluated and compared to demographic data. Additionally, the small business loans were evaluated by size, and compared to 2009 small business aggregate data. Given that the primary business focus of the institution is residential lending, the distributions of these loans were weighted more heavily than commercial lending. The Bank achieved a good penetration of loans among borrowers of different income levels and businesses of different revenues based on the area's demographics and/or a comparison to aggregate lending data in the assessment area.

### *Home Loans*

Refer to Table 5 for the distribution of home loans by borrower income:

Table 5 - Distribution of HMDA Loans by Borrower Income (Excludes loans with unknown income)									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2008									
Home Purchase	31	0.0	32.3	48.4	19.3				
Refinance	101	9.9	44.5	21.8	23.8				
Home Improvement	24	4.2	29.2	20.8	45.8				
Total	156	7.1	39.7	26.9	26.3				
2009									
Home Purchase	46	13.0	23.9	41.3	21.8	6.8	27.5	34.5	31.2
Refinance	193	12.4	21.2	32.6	33.7	5.3	18.7	31.8	44.2
Home Improvement	24	12.5	29.2	33.3	25.0	10.3	21.4	32.0	36.3
Total	263	12.6	22.4	34.2	30.8	5.8	21.0	32.5	40.7
YTD 2010									
Home Purchase	55	25.5	21.8	29.1	23.6				
Refinance	119	7.6	26.9	36.1	29.4				
Home Improvement	26	11.5	23.1	11.5	53.9				
Total	200	13.0	25.0	31.0	31.0				
Grand Total	619	11.4	27.6	31.3	29.7				
Demographics	#	Distribution of Families							
		Low	Moderate	Middle	Upper				
Families	54,369	14.8	16.3	25.8	43.1				
SOURCE: Source: 2008, 2009, and YTD 2010 HMDA LARS, HMDA Aggregate Data for 2009, Demographics from 2000 US Census Data									

As shown in Table 5, middle-income borrowers accounted for the highest proportion of the total loans at 31.3 percent. Lending to middle income-borrowers was particularly strong in the home purchase category. The proportion of total loans to middle income borrowers exceeds the percentage of families in that income category. The percentage of home lending to upper-income borrowers accounted for the next highest percentage at 29.7 percent. The upper-income borrowers had a particularly high proportion of home improvement loans. The proportion to loans of upper-income borrowers was below the percentage of upper-income families residing in the assessment area. Much of the remaining loan volume was to moderate-income borrowers with the percentage of lending exceeding the percentage of moderate-income families in the area. The lending to low-income borrowers exceeded the aggregate and showed a positive trend.

The 2009 HMDA aggregate was used to evaluate the Bank's distribution of loans by borrower income. The Bank's performance was similar to the aggregate of all lenders in that the highest percentage of loans was to the middle -and upper- income borrowers. The Bank, however, placed higher proportions of its total home loans to low-income and moderate-income borrowers than did the aggregate of all lenders. The Bank was one of the top lenders to low-income borrowers, ranking 3<sup>rd</sup> in market share among 296 lenders. Bridgewater Savings Bank was particularly successful in refinancing loans to low- and moderate-income borrowers compared to the aggregate.

The Bank's performance in 2008 is relatively comparable to that of 2009. While the Bank's performance to moderate-income borrowers in 2009 fell compared to 2008 by percentage, the Bank's overall volume increased as did the number of loans to moderate-income borrowers. The Bank continues to place a good proportion of the loans to low-and moderate-income borrowers.

## Small Business Loans

The Bank's small business lending was reviewed to assess how well the Bank is addressing the area's business credit needs. Refer to Table 6 for information concerning the distribution of small business loans to businesses with Gross Annual Revenues ("GAR") of \$1 million or less.

**Table 6 - Distribution of Business Loans by Revenue**

Table 6 - Distribution of Business Loans by Revenue													
GAR	Businesses	2008				2009				2010			
	%	#	%	\$(000's)	%	#	%	\$(000's)	%	#	%	\$(000's)	%
≤ \$1,000	76.9	18	52.9	2,917	41.4	10	47.6	2,651	67.1	9	52.9	1,513	47.9
> \$1,000	5.6	16	47.1	4,135	58.6	11	52.4	1,298	32.9	8	47.1	1,647	52.1
GAR not reported	17.5	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	34	100.0	7,052	100.0	21	100.0	3,949	100.0	17	100.0	3,160	100.0
SOURCE: 2008, 2009, and YTD 2010 CRA Small Business Loan Registers and 2009 Business Geodemographic Data													

SOURCE: 2008, 2009, and YTD 2010 CRA Small Business Loan Registers and 2009 Business Geodemographic Data

As shown in Table 6, the Bank originated 21 small business loans in 2009. Of these, 10 loans, or 47.6 percent, were to businesses with gross annual revenues of \$1 million or less. This percentage of loans is less than the percentage of businesses known to be in that revenue category. It should be noted that the business revenues for approximately 17.5 percent of the area's establishments are unknown.

The Bank's 2009 performance has declined from 2008 as 52.9 percent of originated loans were to businesses with revenue less than \$1 million in 2008. This is due in part to the declining economy. The Bank's YTD 2010 is consistent with that of 2008.

As mentioned previously, the Bank faces considerable competition. With 85 small business lenders in the area, the largest of which are credit card service companies, relatively small institutions encounter difficulty in making loans to businesses of lower revenues. Also, the current economic climate has constrained borrowers' desire to expand by means of credit, further limiting the Bank's opportunities to lend. For these reasons, the penetration of loans among small businesses is considered reasonable.

Additionally, an analysis was performed by dollar amount of the loan. Loan amount is used as a proxy for business size based on the assumption that the smaller the loan amount, the smaller the business receiving credit. The Bank has an adequate distribution of loans by loan size.

As reflected in Table 7, during 2009, 8.5 percent of the Bank's small business loans were in amounts of \$100,000 or less, which is adequate. Of the remainder, 18.4 percent were between \$100,000 and \$250,000, and 73.1 percent were between \$250,000 and \$1 million. In YTD 2010, the percentage of loans in amounts of \$100,000 or less increased to 19.5 percent, the percentage of loans between \$100,000 and \$250,000 decreased to 16.8 percent and the percentage of loans between \$250,000 and \$1 million decreased to 63.7 percent. When considering loan amount as a surrogate for business size, this level of small-dollar loans demonstrates the Bank's willingness to meet the smaller credit needs of business owners in the assessment areas.

<b>Table 7 - Distribution of Small Business Loans by Loan Size</b>				
<b>Loan Size</b>	<b>Bank Loans</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000's)</b>	<b>%</b>
<b>2008</b>				
Less than \$100,000	14	41.2	888	12.6
\$100,000 - \$250,000	12	35.3	2,109	29.9
Over \$250,000	8	23.5	4,055	57.5
<b>Total</b>	<b>34</b>	<b>100.0</b>	<b>7,052</b>	<b>100.0</b>
<b>2009</b>				
Less than \$100,000	<b>10</b>	<b>47.7</b>	<b>335</b>	<b>8.5</b>
\$100,000 - \$250,000	<b>4</b>	<b>19.0</b>	<b>727</b>	<b>18.4</b>
Over \$250,000	<b>7</b>	<b>33.3</b>	<b>2,887</b>	<b>73.1</b>
<b>Total</b>	<b>21</b>	<b>100.0</b>	<b>3,949</b>	<b>100.0</b>
<b>YTD 2010</b>				
Less than \$100,000	10	58.9	617	19.5
\$100,000 - \$250,000	3	17.6	530	16.8
Over \$250,000	4	23.5	2,013	63.7
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>3,160</b>	<b>100.0</b>
<b>Grand Total</b>	<b>373</b>	<b>100.0</b>	<b>84,090</b>	<b>100.0</b>
<i>Source: 2008, 2009, and YTD 2010 CRA Small Business Loan Registers</i>				

#### 4. GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. The Bank achieved an adequate dispersion of home and small business loans throughout the assessment area based on the area's demographics and aggregate lending. As stated in the *Performance Context*, there are 36 Census tracts in the assessment area, of which 2, or 5.6 percent, are moderate-income; 24, or 66.7 percent are middle-income; 9 or 25.0 percent, are upper-income; and one Census tract that has not been assigned an income classification. Refer to Table 8 and Table 9, respectively, for the distribution of home and small business loans among the Census tract income categories.

##### *Home Loans*

Summarized in Table 8 is the distribution of home loans by Census tract income level. Demographic information is included for comparison purposes.

As displayed in Table 8, no loans were made in moderate income Census tracts in 2009. The majority of loans were originated in middle-income Census tracts, followed by upper-income tracts. Aggregate lending in 2009 was similar, as middle and upper income geographies claimed the majority of originations, while 1.5% of all originations were in moderate-income Census tracts. This corroborates with the demographics of the assessment area, as 2.2 percent of owner occupied housing units are located within the moderate income Census tracts. Still, in both assessment area demographics and aggregate lending, the Bank is outperformed. Additionally, while overall lending has increased, lending in moderate income tracts has decreased, from one loan in 2008 to zero in 2009 and 2010.

Table 8 - Distribution of HMDA Loans by Census Tract Income									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
			Moderate	Middle	Upper		Moderate	Middle	Upper
2008									
Home Purchase	32		0.0	78.1	21.9				
Refinance	103		1.0	77.7	21.3				
Home Improvement	24		0.0	66.7	33.3				
Total	159		0.6	76.1	23.3				
2009									
Home Purchase	47		0.0	83.0	17.0		3.3	64.5	32.2
Refinance	197		0.0	64.5	35.5		0.8	62.8	36.4
Home Improvement	24		0.0	83.3	16.7		2.6	66.7	30.7
Total	268		0.0	69.4	30.6		1.5	63.3	35.2
YTD 2010									
Home Purchase	56		0.0	64.3	35.7				
Refinance	122		0.0	69.7	30.3				
Home Improvement	26		0.0	84.6	15.4				
Total	204		0.0	70.1	29.9				
Grand Total	631		0.1	71.4	28.5				
Demographics	#								
			Moderate	Middle	Upper				
Owner Occupied Units	56,528		2.2	66.0	31.8				
SOURCE: Source: 2008, 2009, and YTD 2010 HMDA LARS, HMDA Aggregate Data for 2009, Demographics from 2000 US Census Data									

Although the low rate of penetration within moderate-income Census tract areas and the Bank's performance in contrast to aggregate lending data was noted in the previous CRA examinations, mitigating factors were considered in that the Bank has no branch offices within the well served moderate-income geographies. Also, the lower owner-occupancy (28.1 percent) within the moderate-income tracts gives credence to these figures when compared to the higher owner-occupancy rate within the middle- and upper-income tracts at 74.3 percent and 82.8 percent, respectively. These factors remain valid, as does the significant competition and small size of the institution. However, in both the 2004 and 2008 reports, some amount of lending was distributed in moderate income areas. This was in spite of the rising cost of homeownership during those examination periods, a factor which has subsided as median sales prices have fallen and affordability has increased. Additionally, given the institutions small size, even a few loans could have brought the Bank in line with aggregate levels of lending.

#### *Small Business Loans*

Summarized in Table 9 is the distribution of the small business loans by Census tract income level.

As noted in Table 9, the majority of the Bank's small business lending is in middle-income Census tracts. In fact, the Bank's overall distribution is considerably higher in middle-income Census tracts compared with the distribution of businesses based on Dun and Bradstreet data. Consequently, the concentration of small business loans in middle and upper income Census tracts is expected given that 94.7 percent of businesses reside within those areas. Also, as noted previously, the Bank faces significant competition for small business loans. The 2009 geographic distribution of loans is an improvement over the 2008 originations, which had no moderate income tract originations. Similarly, there have been no 2010 moderate income tract originations to date.



<b>Table 9 - Distribution of Small Business Loans by Census Tract Income</b>				
<b>Year</b>	<b># of Bank Loans</b>	<b>Percent of Bank Loans</b>		
		<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
2008	34	0.0	76.5	23.5
<b>2009</b>	<b>21</b>	<b>4.8</b>	<b>57.1</b>	<b>38.1</b>
YTD 2010	17	0.0	76.5	23.5
Grand Total	72	1.4	70.8	27.8
<b>Demographics</b>	<b>#</b>	<b>Distribution of Businesses</b>		
		<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
<b>Businesses</b>	<b>16,495</b>	<b>5.3</b>	<b>57.0</b>	<b>37.7</b>
<i>Source: 2008, 2009 and YTD 2010 CRA Small Business Loan Registers, and 2009 Business Geo-demographic Data</i>				

## 5. REVIEW OF COMPLAINTS

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. Since the previous examination, the Bank received no complaints pertaining to the institution's CRA performance.

## COMMUNITY DEVELOPMENT TEST

Bridgewater Savings Bank's community development performance demonstrates a satisfactory responsiveness to the community development needs of the assessment area. Based on a review of demographic and economic data, activities of similarly situated banks, and discussions with a community development organization, the assessment area has a high degree of community development need, particularly in the more urban area of Taunton. The Bank has met these community development needs through the provision of community development loans, qualified investments and grants, and community development services. The Bank has established charitable foundations to support noteworthy causes.

### ***Community Development Loans***

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

During the evaluation period, the Bank did not originate any community development loans inside its assessment area. However, the Bank was active in its assessment area by originating a multi-family loan with a community development purpose, as well as a loan to a non-profit agency within its assessment area that focuses on affordable housing. Unfortunately, the multi-family loan was not five or more units as is required by the definition above. Also, the loan to the non-profit, while based in Taunton, went to housing in Fall River. Nevertheless, the Bank deserves mention for its efforts with regard to community development loans. Detailed below are the Bank's community development lending efforts.

In 2008, the Bank originated a \$250,000 commercial mortgage for a multifamily residence occupied primarily by low- and moderate-income tenants in Bridgewater. This dwelling has three residential rental units in which two are occupied by low- and moderate-income persons. Both tenants receive subsidized housing: one by the Housing Assistance Program and the other by South Shore Housing Development Corporation. While this loan is technically HMDA reportable, its purpose is community development.

In 2009, the Bank originated a \$465,600 commercial mortgage to a local non-profit organization based in Taunton that offers a range of services to individuals throughout Southeastern Massachusetts and Rhode Island, including housing assistance and a homeless shelter. The monies were used to purchase three six-unit apartment buildings in Fall River to be used to provide homeless individuals and families with transitional and permanent housing.

Also, the Bank originated four additional community development purpose loans totaling \$870,000 outside of its assessment area. These two loans included one aimed at revitalizing a low- and moderate- income geography and the other was for community services targeted to low- and moderate-income families. Both loans were originated in New Bedford. Although the loans were originated outside the assessment area, the loans are mentioned here in recognition of the Bank's support of community development initiatives within Eastern Massachusetts.

### ***Qualified Investments***

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. A qualified investment for purposes of this CRA evaluation is a lawful investment, deposit, donation, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

### ***Investments***

No new qualified investments have been made since the previous evaluation; however, three qualified investments from prior evaluation periods remain outstanding totaling \$6,250,000. As of December 13, 2010, the book value of these investments was \$4,124,000. This equates to 2.2 percent of total investments.

- ***Access Capital Strategies – Community Investment Fund***

In July 2005, Bridgewater Savings Bank invested \$2 million in the Access Capital Strategies Community Investment Fund. This fund, developed in 1999 through a collaboration with Fannie Mae, the U.S. Conference of Mayors, and Access Capital Strategies, serves to increase the availability of affordable financing for low- and moderate-income families and to increase capital investments in cities. All of the Bank's investment was used for the purchase of mortgage-backed securities secured by properties located in the assessment area. In October 2010, an additional \$2 million was invested in the fund, bringing the current book value as of December 13, 2010 to \$4,005,000.

- ***Southeastern Economic Development Corporation Ventures Limited Partnership***

In 2006, the Bank committed \$250,000 in this Small Business Investment Company, which was chartered to provide subordinate debt financing to new businesses in southeastern Massachusetts (including the assessment area) that otherwise would not qualify for standard venture capital financing. The current book value of this investment is \$119,000.

- *Community Development Financial Institution Fund (CDFI)*

In December 2005, Bridgewater Savings Bank purchased a \$2 million 3-year certificate of deposit at a below market rate from a minority-owned institution headquartered in Bridgeport, Connecticut. The CDFI was established to promote community and economic development in the Bridgeport area. While this qualified investment does not directly benefit the Bank's assessment area, it received consideration under this test as it benefits geographies and individuals located within the broader regional area (New England) that includes the institution's assessment area. The CD investment matured in January 2009, and the funds were not reinvested in CRA-qualified investments.

### Grants and Donations

Bridgewater Savings Bank also provided support to a variety of organizations through community development grants and donations made through the Bridgewater Savings Bank Charitable Foundation, Inc. (the Foundation) as well as directly to local charitable organizations. The Foundation was established in 2003 for the support and benefit of community, charitable, education, and other benevolent purposes. By establishing the foundation, the Bank was able to strengthen its commitment to upholding its mission as a community-oriented financial institution. The Foundation was originally funded through a transfer of securities from Bridgewater Savings Bank to the Foundation totaling \$150,000. Additionally, the Bank has maintained the activity of the East Bridgewater Savings Charitable Committee following the merger, which continues its contributory relationships with local organizations.

During the evaluation period, Bridgewater Savings Bank donated \$170,555 through its Foundation. Of this amount, \$45,005, or 26.4 percent, was qualified under the definition of community development. In addition to providing grants through the Foundation, the Bank made donations directly. During the evaluation period, the Bank donations totaled of \$109,416. Of the total dollars donated over this time frame, \$29,144, or 26.6 percent, was provided in qualified grants and donations to organizations that provide education and training, affordable housing, youth programs, and health and human services to lower income residents.

When the Foundation's and the Bank's grants and donations are combined, cash donations as a percent of pre-tax net operation income (NOI) were .88 percent for 2009. The percent of pre-tax NOI could not be calculated for 2008 and YTD 2010 because the Bank had a negative pre-tax NOI. Benefiting organizations included, for example, Bridgewater Energy Assistance, Habitat for Humanity, Mainspring—Home for Homeless, Neighborhood Housing Services, Pro-Home and Community Care Services, Inc. Refer to the following table for a listing of the grants and donations by community development category and year:

<b>Community Development Qualified Grants and Donations (Inside Assessment Area)</b>						
<b>Community Development Category</b>	<b>2008</b>		<b>2009</b>		<b>YTD 2010</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Affordable Housing for Low- and Moderate-Income	2	250	4	6,550	1	1,000
Community Services Targeted to Low- and Moderate-Income	15	23,299	18	19,450	16	19,600
Promote Economic Development	0	0	0	0	1	2,500
Revitalize Low- and Moderate-Income Geographies	1	1,500	0	0	0	0
<b>Total</b>	<b>18</b>	<b>25,049</b>	<b>22</b>	<b>26,000</b>	<b>18</b>	<b>23,100</b>

Source: Internal Bank Records

The Bank has been consistent in their grants and donations throughout the period examined in both number and amount. The largest percentage, 84.4 percent, of its grants and donations go to programs aimed at community services targeted to low- and moderate-income individuals. Programs intended for affordable housing for low- and moderate-income individuals received 10.6 percent of their total qualified grants and donations.

### ***Community Development Services***

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services and assistance. Listed below are the community development services provided by Bank officers and staff.

#### **Officer Involvement**

Officers and employees of the Bank are involved in local community development and nonprofit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. The following are a few examples of how the Bank's participation with various organizations has benefited the assessment area:

- Southeastern Economic Development Corporation (SEED): SEED is a non-profit, SBA certified corporation set up to improve the economy of southeastern Massachusetts by assisting small businesses to start-up, expand, and create new employment opportunities. A Bank Senior Vice President of Lending and a Bank Commercial Loan Officer serve as members of the Board. Additionally, another Bank Commercial Loan Officer serves as a member of the loan review committee.
- South Shore Housing Development Corporation (SSHDC): SSHDC is committed to enhancing the quality of life for low- and moderate-income individuals by providing decent, safe, affordable housing while helping families move forward toward economic and social independence. SSHDC also assists individuals in reconnecting with their community. A Bank Vice President serves as a member of the Board and finance committee.
- Pro-Home: Pro-Home assists homebuyers in Taunton and surrounding areas in finding affordable housing. An Originator serves as a member on the fair housing subcommittee.
- Carver Local Housing Partnership Committee: The Committee works to provide affordable housing within the area and to deal with any affordable housing related issues. A Bank Assistant Branch Manager is the authority's treasurer.
- Taunton Chamber of Commerce (TCC): TCC is a champion of small business needs in the communities of Berkley, Dighton, Raynham, and Taunton. A Bank Commercial Loan Officer and a Marketing Officer are members of this organization.

In addition to the involvement of its officers and employees, the Bank also provides the following community development qualified services:

#### **Educational Seminars/Programs**

Bank officers have participated in seminars and other events sponsored by the Bank during the evaluation period. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area.

- The Bank has sponsored, co-sponsored, and participated in first time homebuyer seminars and workshops as a means of educating the public and of promoting the Bank's products and services. These seminars have been held independently or in collaboration with organizations like Pro Home Inc. The homebuyer seminars conducted generated 30 attendees.

- The Bank has participated in personal finance educational events geared toward local area residents. This has included participation in Money Smart seminars sponsored by ProHome based in Taunton.
- The Bank in conjunction with SEED co-sponsored a basic entrepreneurial workshop. The workshop taught the participants the fundamentals of planning, preparing for, and financing a business. Additionally, the workshop taught participants how to understand financial statements and how they help demonstrate the health of a business.

#### Other

The Bank participates in the following public and privately sponsored programs that have special features that are of particular benefit to lower income consumers:

- Bridgewater Savings Bank is a member of SUM<sup>®</sup>, an alliance between many community banks that have agreed not to assess ATM surcharge fees to any of the other member bank's customers. This service is of particular benefit to low- and moderate-income consumers.
- Bridgewater Savings Bank assisted two non-profit organizations in applying for grants from the Federal Home Loan Bank, from the Affordable Housing program and the Equity Builder program. These applications require a large amount of time and effort on the bank's part, and their service is recognized as a commitment to affordable housing in the assessment area.
- The Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.
- The Bank funds the costs of workbooks that are distributed in school systems to teach children about banking as part of the How to do Your Banking program. The Bank sponsors schools in Bridgewater, Carver, Lakeville, Middleborough, Taunton, and West Bridgewater. The program covers the basics of personal financial money management. The workbook emphasizes real life financial planning and goal achievement.
- Bridgewater Savings Bank administers an Interest of Lawyers' Trust Accounts (IOLTA) program. Interest earned on the applicable accounts is turned over to the Massachusetts IOLTA Program. Proceeds are used to provide low-income individuals with a variety of services, including education and legal services. During the evaluation period, the Bank paid \$48,152.68 in interest from these accounts to the IOLTA Committee.

## APPENDIX A MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. Between January 1, 2008, and December 31, 2009, the Bank received a total of 529 residential loan applications from within its assessment area. During this period, 8 credit applications were received from minority applicants. Of the total applications received from minority applicants, 1 was denied. Refer to the following table for further details.

MINORITY APPLICATION FLOW								
RACE	2008 Bank Data		2009 Aggregate Data		2009 Bank Data		Bank Total	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	<b>36</b>	<b>0.2</b>	0	0.0	0	0.0
<i>Asian</i>	0	0.0	<b>107</b>	<b>0.6</b>	1	0.3	1	0.2
<i>Black/ African American</i>	2	1.0	<b>217</b>	<b>1.3</b>	1	0.3	3	0.6
<i>Hawaiian/ Pacific Isl.</i>	0	0.0	<b>20</b>	<b>0.1</b>	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	<b>14</b>	<b>0.1</b>	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	2	1.0	<b>118</b>	<b>0.7</b>	2	0.6	4	0.8
<b>Total Minority</b>	4	2.1	<b>512</b>	<b>3.0</b>	<b>4</b>	<b>1.2</b>	8	1.5
<i>White</i>	174	90.2	<b>13,062</b>	<b>75.5</b>	316	94.0	490	92.6
<i>Race Not Available</i>	15	7.8	<b>3,719</b>	<b>21.5</b>	16	4.8	31	5.9
<b>Total</b>	193	100.0	<b>17,293</b>	<b>100.0</b>	336	100.0	529	100.0
<b>ETHNICITY</b>								
<i>Hispanic or Latino</i>	0	0.0	<b>130</b>	<b>0.8</b>	<b>0</b>	<b>0.0</b>	0	0.0
<i>Not Hispanic or Latino</i>	178	92.2	<b>13,270</b>	<b>76.7</b>	319	94.9	497	94.0
<i>Joint (Hisp/Lat / Not Hisp/Lat)</i>	0	0.0	<b>103</b>	<b>0.6</b>	<b>2</b>	<b>0.6</b>	2	0.4
<i>Ethnicity Not Available</i>	15	7.8	<b>3,790</b>	<b>21.9</b>	15	4.5	30	5.7
<b>Total</b>	193	100.0	<b>17,293</b>	<b>100.0</b>	336	100.0	529	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

The Bank's minority application flow for this period was compared with the racial composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of data assists in deriving reasonable expectations for the rate of applications the Bank received from minority credit applicants.

According to 2000 Census Data, Bridgewater Savings Bank's assessment area contained a population of 209,654 individuals, 7.1 percent of which is representative of various minority groups. Specifically, 1.7 percent of the people within the assessment area are identified as Black, 0.7 percent are Asian, 0.1 percent are American Indian, 1.9 percent are Hispanic, and 2.7 are defined as other race. While the number of minority applications remained constant from 2008 to 2009, the increase in total applications reduced the proportion of minority applications to 1.2 percent in 2009, compared to 2.1 percent in 2008. This level of application flow is also below the 2009 aggregate data, which had total minority applications at 3.0 percent. Concerning ethnicity, no applications were received from Hispanic applicants. However, joint ethnicity applications were up in 2009 with 2 applications, compared to no applications in 2008. The proportion of the Bank's 2009 joint ethnicity applicants, 0.6 percent, were in line with the aggregate level of applications received from the same group.

## **APPENDIX B**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

#### **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.



**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 756 Orchard Street, Raynham, MA 02767."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.